

Fairfax County Economic Index

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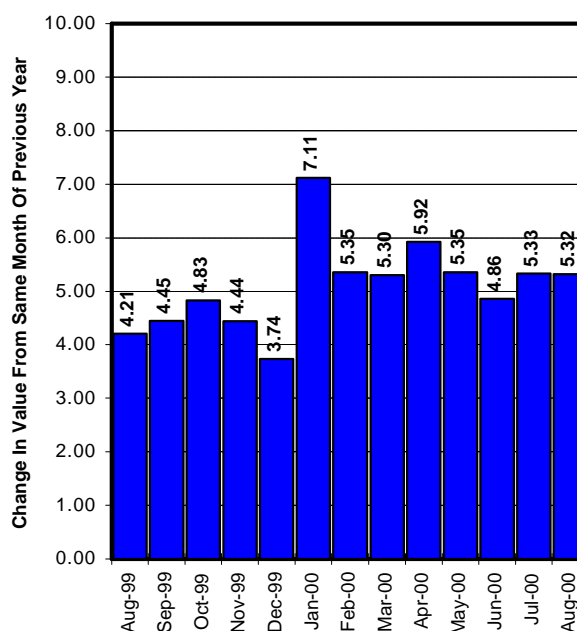
County Economy Steady in August, Leading Indicators Point to Slower Growth

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased in August to 125.8 for a 0.58 percent gain over July. This slight increase in the Index follows decreases in June and July. For the year, the Index has been up in four months and down in four, registering a year-to-date gain of 1.03 percent. Compared to August 1999, the Coincident Index stands 4.42 percent higher and, in spite of its recent decreases, continues to track slightly higher than the historic trend. In August, two of its four components were positive.

- Total employment increased in August following decreases in June and July; and,
- Consumer confidence registered a moderate gain after decreasing in July; while,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined for the third consecutive month; and,
- Sales tax collections, adjusted for inflation and seasonal variation, declined after having increased in both June and July.

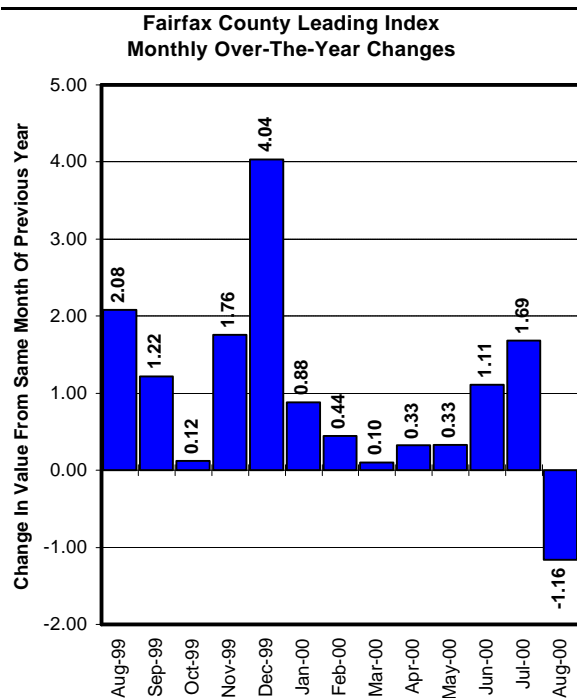
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to 12 months in advance, decreased to 105.8 in August, dropping 1.37 percent from its July value. This decline follows two monthly gains.

Fairfax County Coincident Index
Monthly Over-The-Year Changes



Source: Center for Regional Analysis, George Mason University

However, the Leading Index has been trending lower all year, dropping in five of eight months and losing a total of 2.8 percent. And, compared to August 1999, the Leading Index is down 1.1 percent and is now tracking lower than the 12-month moving average. As a result, the slope of this forecasting line has begun to flatten out since January. In August, three of the Index's five components contributed to its decline.



Source: Center for Regional Analysis, George Mason University

- Initial claims for unemployment insurance increased (worsened) in August for a second month and for the third time in four months;
- Residential building permits declined following two strong monthly gains; and,
- The total value of residential building permits decreased after increasing in June and July and now has been down in four of the last six months; while,
- New automobile registrations recorded a strong gain in August after decreasing for two months; and,
- Consumer expectations increased for a second month and have regained their May peak.

The Fairfax County economy stabilized in August following weaker performances in June and July. While the Coincident Index's monthly over-the-year gain of 4.4 percent shows the County economy to have continued its expansion, its growth rate has slowed during the summer months. With the Leading Index falling below the same-month 1999 level in August for the first time in more than a year, it appears likely that the economy's growth will moderate

slightly over the coming year. The magnitude and pattern of this moderation will become more clear based on the economy's fourth quarter performance.

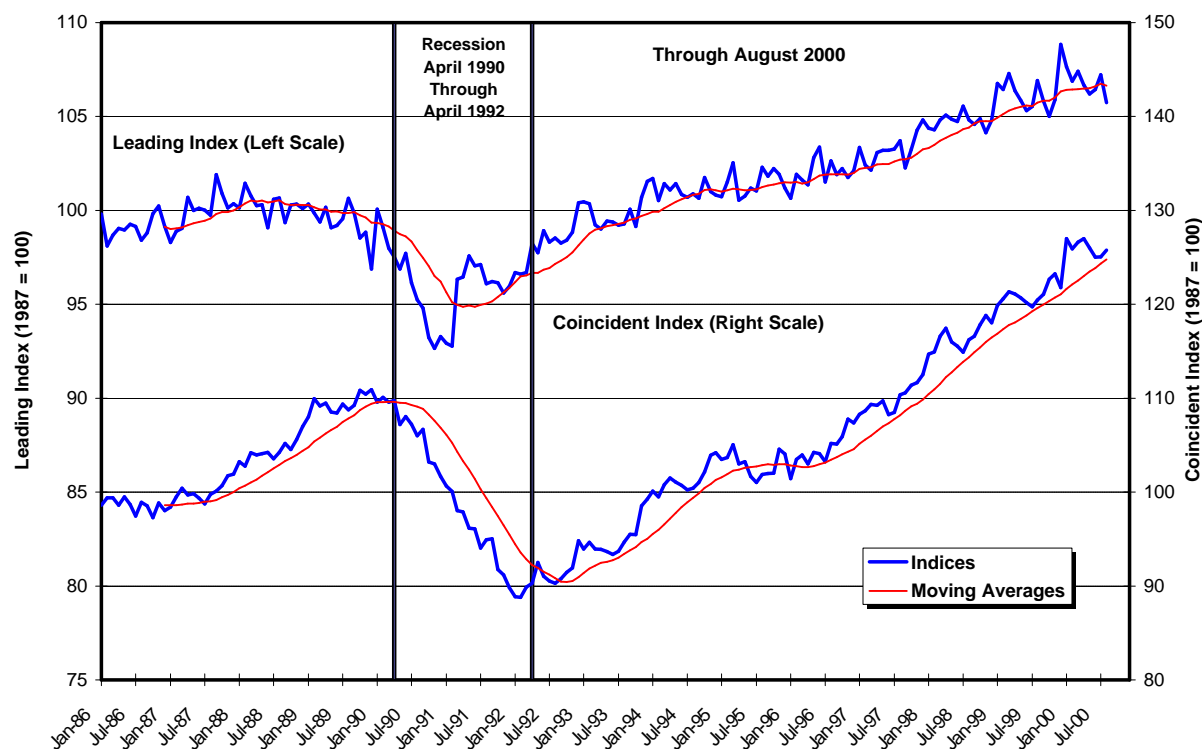
CURRENT CONDITIONS

The national and metropolitan area economies are both showing signs of slowing from their record pace set during the last quarter of 1999 and first quarter of 2000. This slowdown has been very gradual and is consistent with the monetary policies of the Federal Reserve Board. This slowing appears to diminish the likelihood of additional interest rate increases in the near-term and should help lessen recent inflationary pressures. These same forces that have beneficially dampened the national and area economy may explain the slower growth currently being experienced in the County's economy.

The slowing detected in the County economy since spring is seen in its slightly slower job growth and residential construction. At the metropolitan level, monthly over-the-year job growth has slowed each month this year, starting well ahead of 1999's level and trending down since May to levels falling below 1999. In August, areawide job gains were up 2.7 percent from the same-month level in 1999. In Fairfax County, the rate of job growth has also slightly declined but remains well above respective area and national rates. In August, the County added 24,519 net new jobs from the same-month level in 1999, for a gain of 4.8 percent, accounting for 34 percent of the metropolitan area gain. While generating jobs at a slightly low level, the County's share of the area's total job gain has increased from 32 percent. So, while the economies of the Washington area and Fairfax County both are decelerating slightly, the County's economy is not slowing as fast as the area's economy.

In spite of the slight slowing in the County's job growth rate, the labor market remains tight. Unemployment in Fairfax County was 1.4 percent in August, slightly higher than in July but still lower than reported in August 1999. And, even though initial claims for unemployment insurance have increased (worsened) in three of the last four months, these numbers have not yet resulted in a large enough labor pool to lessen the wage pressures generated by the shortage of qualified workers. As a result, the County's tight labor market will continue to constrain realization of the economy's full growth potential.

Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

Consumer spending showed seasonal signs of softening in August. Sales tax receipts, while up in seasonally adjusted value, have been growing more moderately at the national level over recent months, even though consumer confidence has moved higher. The purchase of “big ticket” items, as an economic indicator, has presented mixed signals in recent months. Automobile registrations were up in August, reflecting end-of-the-model year sales and financing inducements after declining in June and July, while residential permits presented the reverse pattern—up in June and July, down in August.

Consumer spending will be critical to the economy’s vitality over the fourth quarter and will set the stage for the economy’s performance in 2001. At this time, consumer spending appears to have slowed in response to seasonal forces and is not yet being impacted by higher energy prices or growing uncertainty in the financial markets that could undercut consumer confidence in the future and translate into lower consumer spending.

NEAR-TERM OUTLOOK

The National Leading Index has registered either decreases or no change each month since March and is down 0.3 percent over the past six months. This pattern points to slower growth in the national economy over the next six months. Following a somewhat similar pattern, the Fairfax County Leading Index has declined during the second quarter and dropped again in August. This recent performance is a signal that the above-average growth rates that have characterized the County’s economy since mid-1996 will likely moderate in coming months.

This slowing of the Leading Index does not mean that the County economy will decline or even slow down to the average metropolitan growth rate. However, it is pointing to some deceleration in the growth rate due to local, area and national forces that are all pointing to more moderate growth rates in the coming months. The magnitude of these changes in the Fairfax County economy will become more clear as it resumes its post-summer growth trend following the normal middle-of-the-year slowdown.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Aug-00 Prelim.	Jul-00 Final	Aug-99 Final	Jul-00 to Aug-00	Aug-99 to Aug-00
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	125.76	125.04	120.44	0.57	4.42
Leading Index (1987 = 100)	105.75	107.22	106.91	-1.37	-1.09
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	532,307	528,526	507,788	0.72	4.83
<i>Total Covered Employment (Unadjusted)</i>	<i>532,354</i>	<i>531,438</i>	<i>507,834</i>	<i>0.17</i>	<i>4.83</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	311	331	277	-5.90	12.35
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>567</i>	<i>584</i>	<i>491</i>	<i>-2.87</i>	<i>15.59</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,555	8,016	7,774	6.73	10.05
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,865</i>	<i>10,495</i>	<i>9,531</i>	<i>3.53</i>	<i>14.00</i>
South Atlantic Consumer Confidence	189	189	184	-0.16	2.83
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	7,251	5,702	5,962	27.17	21.62
<i>Automobile Registrations (Unadjusted)</i>	<i>8,197</i>	<i>6,483</i>	<i>6,740</i>	<i>26.44</i>	<i>21.62</i>
Initial Unemployment Claims (Seasonally Adjusted)	692	576	638	20.13	8.32
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>638</i>	<i>576</i>	<i>589</i>	<i>10.76</i>	<i>8.32</i>
South Atlantic Consumer Expectations	124.9	119.1	118.4	4.87	5.49
Residential Building Permits (Number of Units, Seasonally Adjusted)	275	904	1,145	-69.61	-76.01
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>309</i>	<i>950</i>	<i>1,288</i>	<i>-67.47</i>	<i>-76.01</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	25,725	38,535	41,470	-33.24	-37.97
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>45,816</i>	<i>62,953</i>	<i>71,783</i>	<i>-27.22</i>	<i>-36.17</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	555,695	557,257	546,396	-0.28	1.70
<i>Total Labor Force (Unadjusted)</i>	<i>557,907</i>	<i>556,365</i>	<i>548,571</i>	<i>0.28</i>	<i>1.70</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.39	1.50	1.61	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.41</i>	<i>1.28</i>	<i>1.62</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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